

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

18 CFR Parts 101, 201, and 352

[Docket No. RM02-14-000]

Regulation of Cash Management Practices

(August 1, 2002)

AGENCY: Federal Energy Regulatory Commission.

ACTION: Notice of Proposed Rulemaking

SUMMARY: In order to protect the customers of jurisdictional companies, the Federal Energy Regulatory Commission is proposing to establish limits on the amount of funds that can be swept from a regulated subsidiary to a non-regulated parent under so-called "cash management" programs, as well as certain other requirements.

DATES: Comments are due 15 days after publication in the FEDERAL REGISTER.

ADDRESS: File written comments with the Office of the Secretary, Federal Energy Regulatory Commission, 888 First Street, N.E., Washington DC, 20426. Comments should reference Docket No. RM02-14-000. Comments may be filed electronically or by paper (an original and 14 copies with an accompanying computer diskette in the prescribed format requested).

FOR FURTHER INFORMATION CONTACT:

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SUPPLEMENTARY INFORMATION:

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Regulation of Cash Management Practices Docket No. RM02-14-000

NOTICE OF PROPOSED RULEMAKING

(August 1, 2002)

I. INTRODUCTION

1. In this Notice of Proposed Rulemaking (NOPR), the Federal Energy Regulatory Commission (Commission) proposes to amend its Uniform Systems of Accounts¹ for public utilities,² natural gas companies³ and oil pipeline companies⁴ by establishing the documentation necessary "to furnish readily full information"⁵ concerning the

¹Section 301(a) of the Federal Power Act (FPA), 16 U.S.C. 825(a), section 8 of the Natural Gas Act (NGA), 15 U.S.C. 717g, and section 20 of the Interstate Commerce Act (ICA), 49 App. U.S.C. 20 (1988), authorize the Commission to prescribe rules and regulations concerning accounts, records and memoranda as necessary or appropriate for the purposes of administering the FPA, NGA and the ICA. The Commission may prescribe a system of accounts for jurisdictional companies and, after notice and opportunity for hearing, may determine the accounts in which particular outlays and receipts will be entered, charged or credited.

²Part 101 Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act. 18 CFR Part 101 (2002).

³Part 201 Uniform System of Accounts Prescribed for Natural Gas Companies Subject to the Provisions of the Natural Gas Act. 18 CFR Part 201 (2002).

⁴Part 352 Uniform System of Accounts Prescribed for Oil Pipeline Companies Subject to the Provisions of the Interstate Commerce Act. 18 CFR Part 352 (2002).

⁵See General Instructions - Records under Parts 101, 201, and 352 of the
(continued...)

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management of funds from a FERC-regulated subsidiary by a non-FERC-regulated parent.⁶ Specifically, the Commission is requiring that all such arrangements be in writing. Such arrangements must specify the duties and responsibilities of cash management participants and administrators, the methods of calculating interest and for allocating interest income and expenses, and the restrictions on deposits or borrowings by money pool members.

2. Under the proposed rule, such cash management or money pool agreements must provide documentation for all deposits into, borrowings from, interest income from, and interest expenses to such money pools. Such documentation shall include evidences of: (1) each deposit with a money pool, including the date of the deposit, the amount of the deposit, the maturity date, if any, of the deposit, and the interest earning rate on the deposit; (2) each borrowing from a money pool, including the date of the borrowing, the amount of the borrowing, the maturity date, if any, of the borrowing and the interest rate on the borrowing; (3) the security provided by the money pool for repayment of deposits into the money pool and the security required by the money pool in support of borrowings from the money pool; and (4) daily balances of deposits with and borrowings

⁵(...continued)

Commission's Uniform System of Accounts for public utilities, licensees, natural gas companies, and oil pipeline companies.

⁶The proposed regulations would apply to all public utilities subject to the Uniform System of Accounts, all natural gas companies subject to the Uniform System of Accounts, and all oil pipeline carriers subject to the Uniform System of Accounts.

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from the money pool for each individual deposit or borrowing. Cash deposits and borrowings may not be netted.

3. Finally, the Commission is proposing that as a condition for participating in a cash management or money pool arrangement, the FERC-regulated entity must maintain a minimum proprietary capital balance (stockholder's equity) of 30 percent, and the FERC-regulated entity and its parent must maintain investment grade credit ratings. If either of these conditions is not met, the FERC-regulated entity may not participate in the cash management or money pool arrangement.

4. The proposed rule is in the public interest because it will permit FERC-regulated entities to benefit from properly structured cash management programs, while protecting customer interests.

II. BACKGROUND

Cash Management Programs Generally

5. The overall objective of a cash management program is to enhance owner value. Cash management arrangements can provide participants with greater financing flexibility and a lower cost of borrowing than would otherwise be available to small entities. These arrangements can help smaller affiliates within the group receive the same favorable rates as larger entities.

6. There are several types of cash management programs. Some concentrate and transfer funds from multiple accounts into a single bank account in the parent company's

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name. Another type is known as "cash pooling" or "money pooling." This system uses a single summary account with interest earned or charged on the net cash balance position. There is no movement of funds between accounts of the entities participating in the pool. All accounts must be in the same bank, but not at the same branch. A third type, known as "zero balance accounts," empty or fill the balances in affiliated companies' accounts at a bank into or out of a parent's account each day.

7. In a typical zero balance program, excess funds are swept to a corporate concentration account every night from the regulated company's zero balance accounts, and an account receivable from the parent is established at the regulated company while an account payable is established at the parent company to record the transfer of funds. As part of the cash management program, the parent company provides the funds for payment of payroll and other expenditures of its subsidiaries from the funds that have been swept to the parent. The parent invests unspent funds in overnight investments so that the money of all the subsidiaries will be working for the company rather than being idle.

8. Cash management programs are not without risk, however. Problems can arise over the respective rights to the concentration or pooled account when the parent company or its subsidiaries file for bankruptcy. Courts have ruled that funds swept into

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a parent company's concentration account become the property of the parent, and the subsidiary loses all interest in those funds.⁷

9. There is thus a potential for degradation of the financial solvency of regulated entities if non-regulated parent companies declare bankruptcy and default on the accounts payable, advances or borrowings owed to their regulated subsidiaries.

FERC Regulated Entities' Cash Management Programs

10. In the fall of 2001, the Commission's Chief Accountant began a review of transactions between unregulated parent companies and their jurisdictional subsidiaries. Specifically, the balances in the cash account and accounts related to associated companies, reported in the FERC Forms 1, 2, and 6, were reviewed for the years 1997 through 2001. This review revealed that many companies had significant balances in Account 146 - Accounts Receivable from Associated Companies, and Account 13 - Receivables from Affiliated Companies, and that the balances in these accounts were significantly increasing over the period under review.

11. As a result of the use of cash management programs and the increased balances in Account 146 identified by this initial review, the Chief Accountant began an audit in January 2002, to determine compliance with the Commission's accounting and reporting requirements for the years 2000 through 2001.

⁷ See, e.g., *In the Matter of Southmark Corporation*, 49 F.3d 1111 (5th Cir. 1995), and *In re Amdura Corporation*, 75 F.3d 1447 (10th Cir. 1996).

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12. In March 2002, the Commission initiated a non-public investigation by the Chief Accountant, Office of the Executive Director, and the Market Oversight and Enforcement section, Office of the General Counsel, regarding financial data related to transactions, activities and accounting practices that may have impaired the financial condition of entities subject to the Commission's jurisdiction to the benefit of corporate parents or other affiliates or associated entities of jurisdictional companies.

13. The investigators reviewed transactions affecting Account 146 - Accounts Receivable from Associated Companies for gas and electric companies, and Account 13 - Receivables from Affiliated Companies for oil companies. Based on FERC Forms 1, 2 and 6 data from 2001, balances in Accounts 146 and 13 totaled approximately \$16 billion (\$8.2 billion in public utility accounts, \$2 billion in natural gas company accounts, and \$5.7 billion in oil and product pipeline accounts). The preliminary results of the audit/investigation also revealed severe record-keeping deficiencies:

- Cash management agreements, generally and across the electric, gas and oil industries, have not been formalized in writing to stipulate the terms of the programs and the interest associated with the loans of the subsidiaries' cash.

- Interest may or may not have been paid to subsidiary companies by the parents.

- Budgets are not developed at the subsidiary level for capital expenditures and operations and maintenance expenses.

- Inter-company billings between parents and subsidiaries may have occurred at preferential rates not given to non-affiliated customers.

III. LEGAL AUTHORITY AND PROPOSED REGULATIONS

14. The Commission is proposing to require clearly defined roles and responsibilities of all parties regarding transfers of cash, payments of bills, payments of interest, and the limitations to which funds can be taken from FERC-regulated subsidiaries. Cash management agreements must be reviewed and updated periodically to ensure that changes in corporate structure have not made the agreements obsolete.

15. The Natural Gas Act (NGA) with respect to natural gas companies, and the Federal Power Act (FPA) with respect to public utilities, and the Interstate Commerce Act (ICA) with respect to oil pipeline carriers authorize the Commission to prescribe rules and regulations concerning accounts, records and memoranda as necessary or appropriate for the purposes of administering the FPA, NGA, and the ICA.⁸ The NGA and the FPA also empower the Commission, with respect to natural gas pipelines and public utilities, to "perform any and all acts, and to prescribe, issue, make, amend, and rescind such orders, rules and regulations as it may find necessary or appropriate to carry out the provisions of [the] Act." Section 16 of the NGA, 15 U.S.C. 717o, and section 309 of the FPA, 16 U.S.C. 825(h). Under the Interstate Commerce Act (ICA), the

⁸See n.1, supra.

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Commission may, with respect to oil and product pipelines "prescribe the forms of any and all accounts, records, and memoranda to be kept by carriers . . . as well as of the receipts and expenditures of monies." ICC, Title 49 Appendix section 20 (5), 49 App. U.S.C. 20 (5) (1988). The Commission also has the authority to perform the duties for which it was created "to inquire into and report on the business of persons controlling, controlled by, or under a common control with such carriers" ICA, Title 49 Appendix section 12, 49 App. U.S.C. 12 (1988).

16. The Commission proposes to revise Account 146 in parts 101 and 201, and Account 13 in part 352 to provide instructions and conditions for the maintenance of cash management arrangements. Specifically, the Commission is requiring that all such arrangements be in writing. Such arrangements must specify the duties and responsibilities of cash management participants and the administrator, the methods of calculating interest and for allocating interest income and expenses, and the restrictions on deposits or borrowings by money pool members.

17. Under the proposed rule, such cash management agreements must provide documentation for all deposits into, borrowings from, interest income from, and interest expenses related to such agreements. Such documentation shall include evidence of: (1) each deposit with a money pool, including the date of the deposit, the amount of the deposit, the maturity date, if any, of the deposit, and the interest earning rate on the deposit; (2) each borrowing from a money pool, including the date of the borrowing, the

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amount of the borrowing, the maturity date, if any, of the borrowing and the interest rate on the borrowing; (3) the security provided by the money pool for repayment of deposits into the money pool and the security required by the money pool in support of borrowings from the money pool; and (4) daily balances of deposits with and borrowings from the money pool for each individual deposit or borrowing. Cash deposits and borrowings may not be netted.

18. Because of the Commission's concern that such accounts not be used improperly so as to cause serious financial harm to FERC-regulated entities, and ultimately cause harm to the ratepayers, the Commission proposes that as a prerequisite to participating in a cash management arrangement, a FERC-regulated entity shall maintain a minimum proprietary capital balance of 30 percent,⁹ and the FERC-regulated entity and its parent must maintain investment grade credit ratings.¹⁰ If either of these conditions is no longer met, the FERC-regulated entity may not participate in the cash management or money pool arrangement.

⁹See *Niagara Mohawk Holdings, Inc.*, 99 FERC ¶ 61,323 (2002), where the Commission conditionally approved a requirement that a company maintain an equity balance equal to at least 30 percent of capital.

¹⁰The term "investment grade" was originally used by regulatory bodies to connote obligations eligible for investment by institutions such as banks, insurance companies, and savings and loan associations. Over time, this term became widespread throughout the investment community. Debt issues rated in the four highest categories (e.g., Standard & Poor's AAA, AA, A, and BBB rating, or Moody's Investors Service Aaa, Aa, A, and Baa rating are generally recognized as being investment grade. Lower rating categories are generally considered speculative.

IV. INFORMATION COLLECTION STATEMENT

19. The following collection of information contained in this proposed rule has been submitted to the Office of Management and Budget for emergency review under section 3507(j)(1) of the Paperwork Reduction Act of 1995, 44 U.S.C. 3507(j)(1). Comments are

solicited on the Commission's need for this information, whether the information will have practical utility, the accuracy of provided burden estimates, ways to enhance quality, utility, and clarity of the information to be collected, and any suggested methods for minimizing respondents' burden, including the use of automated information techniques.

Estimated Annual Burden:

At present it is unclear how many companies already have written agreements in place and would not be impacted by this rule. But there are a significant number of FERC-regulated entities that could be impacted by this rule because of their membership in consolidated groups and their participation in cash management arrangements. For this

reason, the Commission projects the total hours for the following collections of information:

Data Collection	No. of Respondents	Estimated % that are members of a consolidated group	No. of Responses	Total Annual Hrs
FERC-Form 1	268	51% or 137 (Approx)	137	274
FERC Form 2	133	85% or 113 (Approx)	113	226
FERC Form 6	201	98.5% or 198 (Approx)	198	396
Totals				896

Total Annual Hours for Collection:

(Reporting + Recordkeeping, (if appropriate)) = 896 hours

*This estimate is based on an average of 2 hours per respondent to convert verbal agreements into written agreements.

Information Collection Costs: The Commission seeks comments on the costs to comply with these requirements. It has projected the cost for compliance to be the following: $896 \text{ hours} \div 2,080 \times \$117,041 = \$50,418$.

Annualized Capital/Startup Costs	\$ 0
Annualized Costs (Operations & Maintenance).	\$ 50,418
Total Annualized Costs	\$ 50,418

The Office of Management and Budget's (OMB) regulations¹¹ require OMB to approve certain information collection requirements imposed by agency rule. The

¹¹ 5 CFR 1320.11 (1996).

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Commission is submitting notification of this proposed rule to OMB.

Title: FERC Form 1 Annual Report of Major Electric Utilities, Licensees and Others;

FERC Form 2 Annual Report for Major Natural Gas Companies;

FERC Form No. 6 Annual Report of Oil Pipeline Companies.

Action: Proposed Collections

OMB Control No: 1902-0021; 1902-0028; and 1902-0022. [Note: The collections of information contained in this proposed rule are being submitted to OMB under OMB's emergency clearance procedures. These collections of information are also the subject of a separate proceeding in Docket No. RM02-3-000 , and to avoid any delay in OMB's review of this proposed rule, the collections of information in this proposed rule will have a temporary designation of FERC-907. When the Commission issues a final rule, the collections of information will revert to their normal identifiers and control numbers.]

Respondents: Business or other for profit,

Frequency of Responses: On occasion.

Necessity of the Information: The Commission proposes to revise its Uniform System of Accounts to establish the documentation necessary to disclose information on the management of funds from a FERC-regulated subsidiary by a non-regulated parent. Specifically, the Commission is requiring that all such cash management

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arrangements be in writing. Such arrangements must specify the duties and responsibilities of cash management participants and administrators, the methods of calculating the interest and for allocating interest income and expenses, and the restrictions on deposits and/or borrowing of money pool members. The Commission is also proposing that as a condition for participating in cash management arrangements, the FERC-regulated entity must maintain a minimum proprietary capital balance of 30 percent and the FERC-regulated entity and its parent must maintain investment grade ratings.

As a result of the Commission's investigations, it was found that cash management agreements, generally and across the electric, gas and oil industries have not been formalized in writing stipulating both the terms of the programs and the interest associated with the loans of the subsidiaries' cash. In addition, budgets are not developed at the subsidiary level for capital expenditures, operations and maintenance expenses and the interest that may or may not have been paid to subsidiary companies by the parent.

The Commission is concerned that such accounts may be used so as create severe financial risk to FERC-regulated entities, and cause harm to rate payers should the subsidiaries attempt to pass through costs that result from defaults by unregulated parent companies, resulting in higher costs of capital.

Internal Review: The Commission has reviewed the requirements pertaining to the Uniform System of Accounts and to the three financial reports it prescribes and has determined that the proposed revisions are necessary because the Commission needs

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to establish uniform accounting and reporting requirements for cash management arrangements.

These requirements conform to the Commission's plan for efficient information collection, communication, and management within the electric, natural gas and oil pipeline industries. The Commission has assured itself, by means of internal review, that there is objective support for the burden estimates associated with the information requirements.

Interested persons may obtain information on the reporting requirements by contacting the following: Federal Energy Regulatory Commission, 888 First Street, NE, Washington, D.C. 20426, [Attention: Michael Miller, Office of the Chief Information Officer, Phone: (202)502-8415, fax: (202)208-2425, e-mail: michael.miller@ferc.gov]

For submitting comments concerning the collection of information(s) and the associated burden estimate(s), please send your comments to the contact listed above and to the Office of Management and Budget, Office of Information and Regulatory Affairs, 725 17th Street, NW, Washington, D.C. 20503 [Attention: Desk Officer for the Federal Energy Regulatory Commission, phone (202)395-7856, fax: (202)395-7285.

V. ENVIRONMENTAL ANALYSIS

20. The Commission is required to prepare an Environmental Assessment or an Environmental Impact Statement for any action that may have a significant adverse effect

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on the human environment.¹² The Commission excludes certain actions not having a significant effect on the human environment from the requirement to prepare an environmental impact statement.¹³ No environmental consideration is raised by the promulgation of a rule that is procedural or does not substantially change the effect of legislation or regulations being amended.¹⁴ The proposed rule updates Parts 101, 201, and 352 of the Commission's regulations, and does not substantially change the effect of the underlying legislation or the regulations being revised or eliminated. Accordingly, no environmental consideration is necessary.

VI. REGULATORY FLEXIBILITY ACT STATEMENT

21. The Regulatory Flexibility Act of 1980 (RFA)¹⁵ generally requires a description and analysis of final rules that will have significant economic impact on a substantial number of small entities. The Commission is not required to make such analyses if a rule would not have such an effect. The Commission concludes that this rule would not have such an impact on small entities. Most filing companies regulated by the Commission do not fall within the RFA's definition of a small entity, and the data required by this rule are already being captured by their accounting systems. However, if the reporting

¹²Order No. 486, Regulations Implementing the National Environmental Policy Act, 52 FR 47897 (Dec. 17, 1987), FERC Stats. & Regs. Preambles 1986-1990 ¶ 30,783 (1987).

¹³18 CFR § 380.4.

¹⁴18 CFR § 380.4(a)(2)(ii).

¹⁵5 U.S.C. 601-612.

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requirements represent an undue burden on small businesses, the entity affected may seek a waiver of the requirements from the Commission.

VII. COMMENT PROCEDURES

22. The Commission invites interested persons to submit written comments on the matters and issues proposed in this notice to be adopted, including any related matters or alternative proposals that commenters may wish to discuss. Comments are due 15 days from publication in the FEDERAL REGISTER. Comments must refer to Docket No. RM02-14-000, and may be filed either in electronic or paper format. Those filing electronically do not need to make a paper filing.

23. Documents filed electronically via the Internet can be prepared in a variety of formats, including WordPerfect, MS Word, Portable Document Format, Real Text Format, or ASCII format, as listed on the Commission's web site at <http://ferc.gov>, under the e-Filing link. The e-Filing link provides instructions for how to Login and complete an electronic filing. First time users will have to establish a user name and password. The Commission will send an automatic acknowledgment to the sender's E-Mail address upon receipt of comments. User assistance for electronic filing is available at 202-208-0258 or by E-Mail to efiling@ferc.gov. Comments should not be submitted to the E-Mail address.

24. For paper filings, the original and 14 copies of such comments should be submitted to the Office of the Secretary, Federal Energy Regulatory Commission, 888 First Street, N.E., Washington D.C. 20426.

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25. All comments will be placed in the Commission's public files and will be available for inspection in the Commission's Public Reference Room at 888 First Street, N.E., Washington D.C. 20426, during regular business hours. Additionally, all comments may be viewed, printed, or downloaded remotely via the Internet through FERC's Homepage using the FERRIS link.

VIII. DOCUMENT AVAILABILITY

26. In addition to publishing the full text of this document in the Federal Register, the Commission provides all interested persons an opportunity to view and/or print the contents of this document via the Internet through FERC's Home Page (<http://www.ferc.gov>) and in FERC's Public Reference Room during normal business hours (8:30 a.m. to 5:00 p.m. Eastern time) at 888 First Street, N.E., Room 2A, Washington, DC 20426.

27. From FERC's Home Page on the Internet, this information is available in the Federal Energy Regulatory Records Information System (FERRIS). The full text of this document is available on FERRIS in PDF and WordPerfect format for viewing, printing, and/or downloading. To access this document in FERRIS, type the docket number excluding the last three digits of this document in the docket number field.

28. User assistance is available for FERRIS and the FERC's website during normal business hours from our Help line at (202) 208-2222 or the Public Reference Room at (202) 208-1371 Press 0, TTY (202) 208-1659. E-Mail the Public Reference Room at public.referenceroom@ferc.gov.

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List of Subjects

18 CFR Part 101

Electric power, Electric utilities, Reporting and recordkeeping requirements,
Uniform System of Accounts

18 CFR Part 201

Natural gas, Reporting and recordkeeping requirements, Uniform System of
Accounts

18 CFR Part 352

Pipelines, Reporting and recordkeeping requirements, Uniform System of
Accounts

By direction of the Commission.

(S E A L)

Magalie R. Salas,
Secretary.

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In consideration of the foregoing, the Commission proposes to amend Parts 101, 201, and 352, Title 18 of the Code of Federal Regulations, as follows:

PART 101- UNIFORM SYSTEM OF ACCOUNTS PRESCRIBED FOR PUBLIC UTILITIES AND LICENSEES SUBJECT TO THE PROVISIONS OF THE FEDERAL POWER ACT

1. The authority citation for part 101 continues to read as follows:

AUTHORITY: 16 U.S.C. 791a-825r, 2601-2645; 31 U.S.C. 9701; 42 U.S.C. 7101-7352, 7651-7651o.

2. In part 101, Balance Sheet Accounts, account 146 is revised to read as follows:

Balance Sheet Accounts

* * * * *

146 Accounts receivable from associated companies.

A. These accounts shall include notes and drafts upon which associated companies are liable, and which mature and are expected to be paid in full not later than one year from the date of issue, together with any interest thereon, and debit balances subject to current settlement in open accounts with associated companies. Items which do not bear a specified due date but which have been carried for more than twelve months and items which are not paid within twelve months from the due date shall be transferred to account 123, Investment in Associated Companies.

B. As a prerequisite for participating in a cash management or money pool arrangement, a utility shall maintain a minimum proprietary capital balance of 30 percent,

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and a utility and its parent must maintain an investment grade credit rating. If either of these requirements is not met, the utility may not participate in the cash management or money pool arrangement. A utility participating in a cash management or money pool arrangement shall maintain supporting documentation for all deposits into, borrowings from, interest income from, and interest expense to such money pool. The written documentation shall include evidences of: (1) each deposit with the money pool, including the date of the deposit, the amount of the deposit, the maturity date, if any, of the deposit, and the interest earning rate on the deposit; (2) each borrowing from a money pool, including the date of the borrowing, the amount of the borrowing, the maturity date, if any, of the borrowing and the interest rate on the borrowing; (3) the security provided by the money pool for repayment deposits into the money pool and the security required by the money pool in support of borrowings from the money pool; and (4) daily balances of deposits with and borrowings from the money pool for each individual deposit or borrowing. Cash deposits and borrowings may not be netted.

C. The utility shall also maintain current and up-to-date copies of the documents authorizing the establishment of the cash management or money pool arrangement that specifies the following: (1) the duties and responsibilities of the money pool, its administrator and the other participants in the money pool; (2) the restrictions on deposits or borrowings by pool members, (3) the method used to determine the interest earning rates and interest borrowing rates by pool members; and (4) the method used to allocate interest income and expenses among the pool members.

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Note A: On the balance sheet, accounts receivable from an associated company may be set off against accounts payable to the same company.

Note B: The face amount of notes receivable discounted, sold or transferred without releasing the utility from liability as endorser thereon, shall be credited to a separate subdivision of this account and appropriate disclosure shall be made in financial statements of any contingent liability arising from such transactions.

* * * * *

**PART 201—UNIFORM SYSTEM OF ACCOUNTS PRESCRIBED FOR
NATURAL GAS COMPANIES SUBJECT TO THE PROVISIONS OF THE
NATURAL GAS ACT**

3. The authority citation for part 201 continues to read as follows:

AUTHORITY: 15U.S.C.717-717w, 3301-3432; 42 U.S.C. 7101-7352, 7651-7651o.

4. In part 201, Balance Sheet Accounts, account 146 is revised to read as follows:

Balance Sheet Accounts

* * * * *

146 Accounts receivable from associated companies.

A. These accounts shall include notes and drafts upon which associated companies are liable, and which mature and are expected to be paid in full not later than one year from the date of issue, together with any interest thereon, and debit balances subject to current settlement in open accounts with associated companies. Items which do not bear a specified due date but which have been carried for more than twelve

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months and items which are not paid within twelve months from the due date shall be transferred to account 123, Investment in Associated Companies.

B. As a prerequisite for participating in a cash management or money pool arrangement, a utility shall maintain a minimum proprietary capital balance of 30 percent and a utility and its parent must maintain an investment grade credit rating. If either of these requirements is not met, the utility may not participate in the cash management or money pool arrangement. A utility participating in a cash management or money pool arrangement shall maintain supporting documentation for all deposits into, borrowings from, interest income from, and interest expense to such money pool. The written documentation shall include evidences of: (1) each deposit with the money pool, including the date of the deposit, the amount of the deposit, the maturity date, if any, of the deposit, and the interest earning rate on the deposit; (2) each borrowing from a money pool, including the date of the borrowing, the amount of the borrowing, the maturity date, if any, of the borrowing and the interest rate on the borrowing; (3) the security provided by the money pool for repayment deposits into the money pool and the security required by the money pool in support of borrowings from the money pool; and (4) daily balances of deposits with and borrowings from the money pool for each individual deposit or borrowing. Cash deposits and borrowings may not be netted.

C. The utility shall also maintain current and up-to-date copies of the documents authorizing the establishment of the money pool that specifies the following: (1) the duties and responsibilities of the money pool, its administrator and the other participants

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in the money pool; (2) the restrictions on deposits or borrowings by pool members, (3) the method used to determine the interest earning rates and interest borrowing rates by pool members; and (4) the method used to allocate interest income and expenses among the pool members.

Note A: On the balance sheet, accounts receivable from an associated company may be set off against accounts payable to the same company.

Note B: The face amount of notes receivable discounted, sold or transferred without releasing the utility from liability as endorser thereon, shall be credited to a separate subdivision of this account and appropriate disclosure shall be made in financial statements of any contingent liability arising from such transactions.

* * * * *

**PART 352– UNIFORM SYSTEM OF ACCOUNTS PRESCRIBED FOR OIL
PIPELINE COMPANIES SUBJECT TO THE PROVISIONS OF THE
INTERSTATE COMMERCE ACT**

5. The authority citation for part 352 continues to read as follows:

AUTHORITY: 49 U.S.C. 60502; 49 App. U.S.C. 1-85 (1988).

* * * * *

6. In part 352, Balance Sheet Accounts, account 13 is revised to read as follows:

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Balance Sheet Accounts

* * * * *

13 Receivables from affiliated companies.

(a) This account shall include amounts receivable due and accrued from affiliated companies subject to settlement within one year from date of the balance sheet. This includes receivables for items such as revenue for services rendered, material furnished, rent, interest and dividends, advances and notes.

(b) As a prerequisite for participating in a cash management or money pool arrangement, a carrier shall maintain a minimum proprietary capital balance of 30 percent, and a carrier and its parent must maintain an investment grade credit rating. If either of these requirements is not met, the carrier may not participate in the cash management or money pool arrangement. A carrier participating in a money pool arrangement shall maintain supporting documentation for all deposits into, borrowings from, interest income from, and interest expense to such money pool. The written documentation shall include evidences of: (1) each deposit with the money pool, including the date of the deposit, the amount of the deposit, the maturity date, if any, of the deposit, and the interest earning rate on the deposit; (2) each borrowing from a money pool, including the date of the borrowing, the amount of the borrowing, the maturity date, if any, of the borrowing and the interest rate on the borrowing; (3) the security provided by the money pool for repayment deposits into the money pool and the security required by the money pool in support of borrowings from the money pool; and (4) daily

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balances of deposits with and borrowings from the money pool for each individual deposit or borrowing. Cash deposits and borrowings may not be netted.

(c) The carrier shall also maintain current and up-to-date copies of the documents authorizing the establishment of the money pool that specifies the following: (1) the duties and responsibilities of the money pool, its administrator and the other participants in the money pool; (2) the restrictions on deposits or borrowings by pool members, (3) the method used to determine the interest earning rates and interest borrowing rates by pool members; and (4) the method used to allocate interest income and expenses among the pool members.